

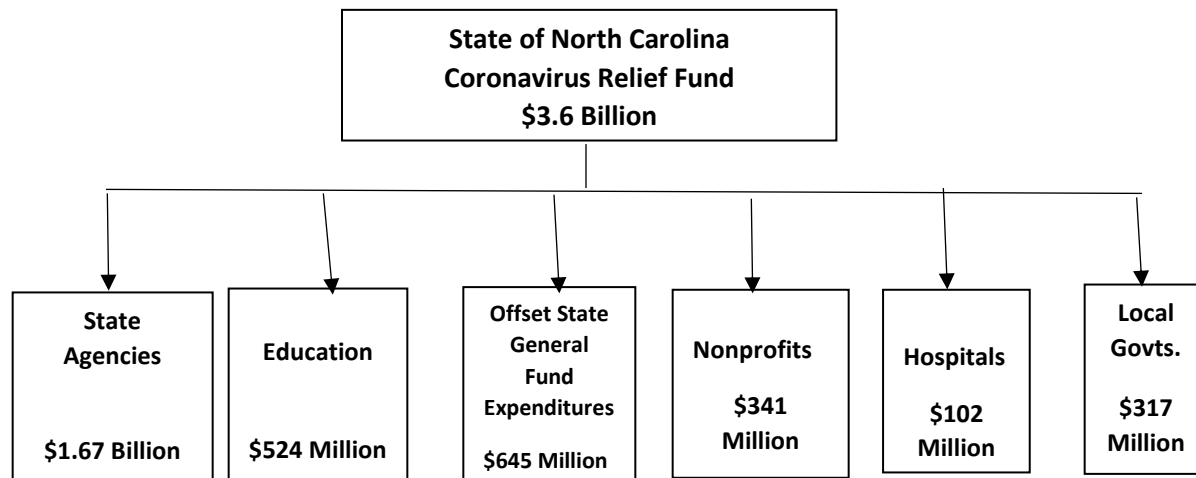
**Joint Legislative Commission of Governmental Operations Subcommittee**  
**Testimony – Coronavirus Relief Fund/Federal Dollars Related to Pandemic**

December 8, 2021

Below is a summary of testimony to be given by Beth A. Wood, CPA, North Carolina State Auditor, regarding audits performed by the Office of the State Auditor related to topics/questions asked to be addressed by the Joint Legislative Commission of Governmental Operations (JLC Gov Ops) Subcommittee.

**First Topic:**

How North Carolina has **allocated, disbursed, and accounted** for **\$3.6 Billion** in federal assistance through the Coronavirus Relief Fund. Allocation is depicted below.



North Carolina performed the statutorily required “Preliminary Financial Audit”. **PER-2021-3005 Office of State Budget and Management Coronavirus Relief Fund – Preliminary Financial Audit**

**Scope:** May 4, 2020, through December 31, 2020

**Findings:**

OSBM accounted for, allocated, and disbursed amounts appropriated to the State of North Carolina’s Coronavirus Relief Fund in accordance with 2020 COVID-19 Recovery Act legislation.

- Monies not yet disbursed were accounted for and held for disbursement to appropriate local governments.
- Monies returned by recipients were reallocated or were accounted for.

**Topic/Question #2:**

**How the North Carolina Pandemic Recovery Office (NC PRO) has performed in providing assistance and oversight for all federal dollars for the pandemic.**

North Carolina performed the statutorily required performance audit: **PER-2021-3005A Office of State Budget and Management Oversight of Coronavirus Relief Fund**

**Objectives:** The audit objectives were to determine whether NC PRO designed and implemented procedures to ensure that:

- (1) Coronavirus Relief Funds were being spent in accordance with the 2020 COVID-19 Recovery Act and subsequent amendments.
- (2) Programs that received Coronavirus Relief Funds were achieving their legislatively intended result.

**Scope:** March 1, 2020, through November 30, 2020

**Findings:**

**Finding #1 - \$3.1 Billion** of Coronavirus Relief Funds were distribute with limited monitoring

**Finding #2 - \$3.1 Billion** of Coronavirus Relief Funds were distributed without ensuring all recipients had a method to measure results.

**Finding #1 - \$3.1 Billion** of Coronavirus Relief Funds were distribute with limited monitoring

- NCPRO's limited monitoring procedures did not ensure that recipients were spending approximately \$3.1 billion<sup>24</sup> of Coronavirus Relief Funds in accordance with the Recovery Act.
- NCPRO required recipients to submit monthly spending reports with supporting documentation.
- NCPRO did not independently verify recipient spending by comparing the supporting documents (i.e. invoices, receipts, payroll records) to expenditures reported by recipients until November 2020, after the majority of funds were already spent.

**Finding #2 - \$3.1 Billion** of Coronavirus Relief Funds were distributed without ensuring all recipients had a method to measure results.

NCPRO distributed approximately \$3.1 billion<sup>30</sup> of Coronavirus Relief Funds to provide economic support in the wake of COVID-19 without ensuring that all recipients:

- (1) had objectives for what they would do with the funds,
- (2) had goals for how they would accomplish their objectives, and
- (3) measured their progress towards meeting their goals.

As a result, NCPRO was limited in its ability to know whether Coronavirus Relief Funds were achieving legislatively intended results and to take timely corrective action if necessary.

NCPRO did not ensure all recipients had a method to measure results because it stated it prioritized (1) coordinating and distributing funds and (2) providing technical assistance to recipients instead.

**Note:** the audit does not speak to whether or not assistance to provided by the NCPRO has been timely, effective, met the needs of those needing assistance.

### **Topic/Question #3**

**How individual schools, local districts, and the Department of Public Instruction have used funds to keep students in school and on track.**

The Office of State Auditor has performed only one audit, to date on the Department of Public Instruction's use of Coronavirus Relief Funds.

#### **Report – PER-2021-3510 Department of Public Instruction Coronavirus Relief Funding**

##### **Objectives:**

To determine if the Department of Public Instruction (Department) established and implemented procedures to ensure that:

1. Coronavirus Relief Funds were spent in accordance with the 2020 COVID-19 Recovery Act and subsequent amendments
2. Programs that received Coronavirus Relief Funds accomplished their intended purpose, such as improving student ability through reading and math interventions and providing school nutrition services to vulnerable students

**Scope:** March 1, 2020 through August 31, 2020

The audit scope also included procedures that the Department implemented for the following allocations:

- \$75 million for school nutrition services provided in response to COVID-19 from March 16, 2020, through December 30, 2020
- \$70 million for providing supplemental summer learning programs for students in kindergarten through 4th grade whose learning has been negatively affected<sup>8</sup> by the impacts of COVID-19
- \$30 million for the purchase of computers or other electronic devices for use by students in response to COVID-19
- \$5 million for the purchase of computers or other electronic devices for use by school personnel in response to COVID-19

**Findings:**

**Finding #1:** The Department distributed \$31 million for the summer learning program without establishing procedures to ensure:

- All students that were negatively affected by COVID-19 were identified to participate in the program
- What percentage of identified students actually participated in the program
- The program improved the students' ability for reading and/or math The Recovery Act allocated \$70 million to the Department to be distributed to public school units for the summer learning program.

Approximately \$31 million of the funds had been distributed as of August 31, 2020.

**Finding #2:** The Department of Public Instruction (Department) distributed approximately \$37 million<sup>14</sup> of 2020 COVID-19 Recovery Act (Recovery Act) funds to public school units for nutrition services without establishing a method to measure results.

Consequently, the Department has no way of knowing whether (1) all of the children that needed meals received them, (2) social distancing and personal hygiene measures were sufficient to protect the health of children, families and employees, and (3) schools only received the amount needed to sustain their nutrition program.

**Finding #3:** DEPARTMENT DISTRIBUTED APPROXIMATELY \$76 MILLION BUT DID NOT MONITOR SPENDING

The Department did not monitor \$76 million in federal funds distributed to public school units to ensure the funds were spent in accordance with the 2020 COVID-19 Recovery Act<sup>29</sup> and subsequent amendments (Recovery Act).

Specifically, the Department did not:

- Evaluate the risk of misspending by each public school unit for the purpose of developing a monitoring plan
- Develop a monitoring plan to address the risk of misspending
- Compare supporting documents (i.e. invoices, receipts, payroll records) to public school unit expenditures

**The Office of the State Auditor has not performed work regarding how individual schools, local districts used funds to keep students in school and on track.**

#### **Topic/Issue #4**

#### **How the state could improve the transparency of spending for pandemic-related state and federal dollars.**

Require metrics/criteria to be met to be set up and measured against for the spending of all federal dollars

#### **Implement recommendations from audit reports:**

- Gather the information needed to determine whether the intended results of its Recovery Act spending were achieved.
- Monitor public school unit spending to ensure the funds are spent in accordance with the 2020 COVID-19 Recovery Act.
- NCPRO should perform independent verification of recipients' self-reported Coronavirus Relief Fund spending to ensure funds are being spent in accordance with the Recovery Act.
- NCPRO should develop policies and procedures to ensure all recipients (1) have objectives for what they will do with the funds to achieve legislatively intended results, (2) have goals for how they will accomplish their objectives, and (3) measure their progress towards meeting their goals.
- The North Carolina General Assembly should consider including specific monitoring requirements (including requirements for independent verification, measurement of progress towards intended results, and timeliness of monitoring activities) in future legislation regarding the spending of Coronavirus Relief Funds or other emergency relief funds.

**NOTE:** Answers to the above questions are restricted by scope of our audits:

- DPI procedures beginning September 1, 2020
- NCPRO procedures beginning January 1, 2020

**Beth A. Wood, CPA**  
**North Carolina State Auditor**  
**Resume**

**Education:**

**BS in Accounting – East Carolina University**

**Credentials:**

**Certified Public Accountant – 1987**

**Experience:**

**13 Years NC State Auditor**

**Have taught for the American Institute of CPAs and the NC Association of CPAs. Topics include:**

- **Internal Controls,**
- **Federal Single Audit Act,**
- **Statistical Sampling,**
- **Governmental Auditing**

**3 Years – audited local governments for national CPA firm**

**3 Years – reviewed audit reports at the Department of State Treasurer/LGC for acceptance/rejection on behalf of state of NC.**

**1 Year – American Institute of CPAs – reviewed allegations of substandard audit reports published by CPAs from all states (except NC) for recommendations on disciplinary actions.**

**Audit proficiencies include:**

- **Financial Statement Audits**
- **Audits of Federal Grant Monies**
- **Performance Audits**
- **Investigations**